

Message Text

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PAGE 01 JIDDA 02268 01 OF 02 240940Z
ACTION EB-08

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R 231500Z MAR 77
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 7753
INFO USDOC WASHDC
AMCONSUL DHAHRAN
USLO RIYADH

UNCLAS SECTION 1 OF 2 JIDDA 2268

E.O. 11652: N/A
TAGS: BEXP, SA
SUBJECT: COUNTRY COMMERCIAL PROGRAM - PRELIMINARY FY-1979 INPUT
SAUDI ARABIA

REF: A) STATE 44899 B) 76 JIDDA 235

SUMMARY: EMBASSY WELCOMES OPPORTUNITY PROVIDE EARLY
INPUT FOR CCP-FY 1979. HOWEVER, DEPARTMENT AND
COMMERCE SHOULD BE AWARE OF WIDE POTENTIAL FOR SHIFT
OF PRIORITIES DEPENDING ON SAUDI FIVE-YEAR PLAN CHANGES,
THE POTENTIAL DELAYS IN IMPLEMENTATION OF INDUSTRIAL
PROGRAMS AND THE LOCAL REACTION TO ANTICIPATED U.S.
BOYCOTT LEGISLATION. IF IMPLEMENTATION OF THE 1975-80
FIVE-YEAR PLAN CONTINUES AS WE EXPECT IT TO, WITH
MINOR DISRUPTIONS, THE CATEGORIES AND PRIORITIES
PROVIDED IN REF (B) FOR FY-78 WILL STILL HOLD IN MANY
INSTANCES FOR FY-79. MARKET STILL HAS GREATEST POTENTIAL
FOR U.S. EFFORTS DESPITE LIMITED POPULATION
BECAUSE THE GREAT BULK OF EQUIPMENT AND MATERIAL
MUST BE IMPORTED AND ATTRITION ON EQUIPMENT IS
HIGH. THIRD COUNTRY COMPETITION IS BECOMING
KEENER AND DESPITE OUR IMPRESSIVE 1976 GAIN OF
86 PERCENT IN EXPORTS TO SAUDI ARABIA (\$2.7 BILLION
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PAGE 02 JIDDA 02268 01 OF 02 240940Z

VS \$1.5 BILLION IN 1975), OUR IMPORTS OF PETROLEUM
HAVE ALMOST DOUBLED TO \$5.3 BILLION. FOR THESE
REASONS IT IS EQUALLY IMPORTANT TO CONCENTRATE ON
THE CHOICE OF PRODUCT LINES AND SERVICES THAT
HAVE THE BEST POTENTIAL. END SUMMARY.

1. CCP CAMPAIGNS FY-79:

A) CAMPAIGN NO. 1

B) PRIORITY NO. 1

C) TITLE: CONSTRUCTION EQUIPMENT AND BUILDING MATERIALS

D) OBJECTIVES AND RATIONALE: BY FY 1979

HUGE AMOUNTS OF MACHINERY AND TRANSPORT EQUIPMENT WILL BE REQUIRED TO IMPLEMENT COMPLETION OF THE JUBAIL, GASIFICATION AND YENBO PROJECTS WHICH HAVE AN ESTIMATED COST OF OVER \$40 BILLION. IN ADDITION, WORK ON THE 800 MILE PIPELINE TO YENBO SHOULD BE UNDER WAY AND NEEDS FOR PIPELINE LAYING MACHINERY, TRANSPORT EQUIPMENT AND OTHER MATERIALS WILL BE IMMENSE. ROAD-MAKING EQUIPMENT FOR THE PLANNED 13,500 KIMOMETERS OF NEW HIGHWAYS WILL NEED REPLENISHMENT. CONSTRUCTION OF A NEW BILLION-RIYAL MINISTRY OF FOREIGN AFFAIRS AT RIYADH AND THE ANTICIPATED RELOCATION OF 60 EMBASSIES WILL FUEL OTHER DEMANDS IN THIS SECTOR. CONSTRUCTION ON THE NEW RIYADH AND DHAHRAN AIRPORTS (\$2 BILLION) WILL BE INCIPIENT. THE MARKET FOR THE NEEDED EQUIPMENT AND MATERIALS IN THIS SECTOR IN FY-79 COULD EXCEED \$3 BILLION.

A) CAMPAIGN NO. 2

B) PRIORITY NO. 2

C) TITLE: COMMUNICATIONS EQUIPMENT

D) OBJECTIVES AND RATIONALE: THE MULTI-BILLION DOLLAR TELECOMMUNICATIONS PROJECT SHOULD BE WELL UNDER WAY AND THE SAUDI GOAL OF ADDING 600,000 LINES WILL PRESENT IMMENSE POTENTIAL FOR THE SALE OF UNCLASSIFIED

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PAGE 03 JIDDA 02268 01 OF 02 240940Z

TELEPHONES, TELEX MACHINES, AND ALL SPECIAL COMMUNICATIONS EQUIPMENT TO MAKE THE NEW LINES OPERATIVE. THE SAG HAS MADE IT A POLICY TO HAVE THE LATEST AND BEST IN THIS CATEGORY AND UPWARDS OF \$4 BILLION WILL BE SPENT IN IMPLEMENTING THE TELECOMMUNICATIONS BACKBONE PROJECT. THERE IS NO LOCAL MANUFACTURE AND NOEN ANTICIPATED. ALL PARAPHERNALIA WILL NEED TO BE IMPORTED. IN ADDITION TO THE DEMANDS FOR COMMUNICATIONS EQUIPMENT IN THE PUBLIC SECTOR, THERE ARE ADDITIONAL OPPORTUNITIES FOR SALE OF SUCH EQUIPMENT TO THE MINISTRIES OF DEFENSE AND AVIATION, INTERIOR, AND URBAN AND RURAL AFFAIRS. PIPELINE AND PORT COMMUNICATIONS EQUIPMENT WILL BE REQUIRED FOR PERTINENT PROJECTS. THE CONSTRUCTION OF 145 NEW PORT BERTHS AND ANTICIPATED HEAVIER SHIPPING WILL ALSO NEED COMMUNICATIONS. THE ROAD PROJECTS WILL ALSO CREATE HEAVY NEEDS FOR COMMUNICATIONS EQUIPMENT.

A) CAMPAIGN NO. 3

PRIORITY NO. 3

C) TITLE: ENERGY SYSTEMS AND ELECTRIFICATION
EQUIPMENT

D) OBJECTIVES AND RATIONALE: SAG PLANS CALL FOR
CREATION OF COMPLETE CITIES: AL BATIN, TABUK,
KHAMIS MUSHAIT, JIZAN, YENBO, JUBAIL, ETC., WHICH
WILL REQUIRE HUNDREDS OF MILES OF CABLE, WIRE,
SWITCHES, POWER TRANSMISSION SUBSTATIONS AND
GENERATING EQUIPMENT IN ALL SIZES AND CATEGORIES.
THE ELECTRIFICATION OF 36 MUNICIPALITIES HAS A HIGH
PRIORITY. DESPITE FACT THAT SOME LESS DEVELOPED
COUNTRIES MAY BE CONTRACT BID WINNERS, MUCH OF THE
EQUIPMENT WILL HAVE TO COME FROM DEVELOPED THIRD
COUNTRIES TO MEET SPECIFICATIONS. WITH 60-CYCLE
CURRENT AND INTENTIONS TO MAKE 127/220 VOLTS THE

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PAGE 01 JIDDA 02268 02 OF 02 241014Z
ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 USIA-15 /034 W
-----241030Z 073084 /21

R 231500Z MAR 77
FM AMEMBASSY JIDDA
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AMCONSUL DHAHRAN
USLO RIYADH

UNCLAS SECTION 2 OF 2 JIDDA 2268

NORM, CONFORMING TO U.S. ELECTRICITY CHARACTERI-
STICS, THE U.S. SHOULD BE IN A GOOD POSITION TO
BECOME THE PREEMINENT SUPPLIER OF THESE ITEMS.
THE DESALINATION PROJECTS WHICH WILL ALSO GENERATE
ELECTRICITY ALSO WILL SERVE TO INCREASE DEMAND FOR
ENERGY RELATED GOODS. 76 JIDDA 2351 AND JIDDA
A-20 EXPAND FURTHER ON NEEDS IN THIS CATEGORY.

A) CAMPAIGN NO. 4

B) PRIORITY NO. 4

C) TITLE: AVIONICS AND GROUND SUPPORT SYSTEMS

D) OBJECTIVES AND RATIONALE: IN ADDITION TO THE NEW
MAMMOTH AIRPORTS PLANNED AT JIDDA, RIYADH AND DHAHRAN,
THE SAG WILL CONSTRUCT 12 OTHER FEEDER AIRPORTS IN
THE PROVINCES. THE JIDDA AIRPORT NOW HAS AN ESTI-
MATED PRICE TAG OF \$4 BILLION; RIYADH AIRPORT WILL

COMPRISE AN AREA OF 105 SQUARE MILES. IN 1977 AIR-CRAFT PURCHASES BY THE SAG WILL TOTAL \$393 MILLION. SAUDIA IS NOW AVERAGING 300,000 PASSENGERS A MONTH AND THIS IS EXPECTED TO GROW. TRAFFIC CONTROL SYSTEMS, GROUND APPROACH EQUIPMENT, RUNWAY AND TERMINAL EQUIPMENT, FIRE CONTROL SYSTEMS, TERMINAL AND HANGAR BUILDING EQUIPMENT WILL BE IN HIGH DEMAND, AND PURCHASES SHOULD BEGIN IN FY-79. THE GROWING PILGRIMAGE TRAFFIC NOW AVERAGING ONE MILLION
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PAGE 02 JIDDA 02268 02 OF 02 241014Z

PASSENGERS DURING THE SEASON REQUIRES PASSENGER AND BAGGAGE HANDLING EQUIPMENT. IN ADDITION, AIR-CRAFT SERVICING EQUIPMENT, REFUELING SYSTEMS AND TERMINAL MAINTENANCE EQUIPMENT WILL BE IN HIGH DEMAND.

A) CAMPAIGN NO. 5

B) PRIORITY NO. 5

C) TITLE: HOSPITAL AND HEALTH CARE EQUIPMENT

D) OBJECTIVES AND RATIONAL: TOP PRIORITY, FOR SOCIO-ECONOMIC REASONS, IS BEING PLACED ON EXPANDING HEALTH FACILITIES BY 11,500 HOSPITAL BEDS BY 1980. WHILE THE \$7 BILLION SAG INVESTMENT TARGET IN THIS SECTOR MAY NOT BE MET BY THIS DATE, WE BELIEVE THE MOMENTUM OF THE PROGRAM, GIVEN ITS SOCIAL SIGNIFICANCE, WILL PROCEED. PRIVATE SECTOR CLINICS, ENCOURAGED THROUGH SAG SOFT LOANS FOR BUILDINGS AND EQUIPMENT, ALSO OFFER SIGNIFICANT MARKET.

A) CAMPAIGN NO. 6

B) PRIORITY NO. 6

C) TITLE: INSTITUTIONAL EQUIPMENT AND FURNITURE

D) OBJECTIVES AND RATIONALE: SAG AND PRIVATE SECTOR BUILDING PROGRAM REQUIRES MASS FEEDING PROGRAMS FOR ON-SITE CONSTRUCTION LABORERS AND CAFETERIAS FOR INSTITUTIONAL EMPLOYEES. CATERING SUPPLIES AND FOOD SERVICES EQUIPMENT ARE NEEDED FOR NEW MINISTRIES, HOSPITALS, MILITARY CANTONMENTS, INDUSTRIAL TOWNS AND NEW CITIES (E.G., JUBAIL, YENBO, JIZAN), AIR-PORTS, PILGRIMAGE HOSTELS, AND LARGE NUMBER OF NEW HOTELS.

A) CAMPAIGN NO. 7

B) PRIORITY NO. 7

C) TITLE: WATER RESOURCES RELATED PRODUCTS AND SERVICES

D) OBJECTIVES AND RATIONALE: THE SINGLE MOST PRECIOUS RESOURCE IN SAUDI ARABIA IS WATER. INCREASED INDUSTRIALIZATION, URBANIZATION, POPULATION
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PAGE 03 JIDDA 02268 02 OF 02 241014Z

AND STANDARDS OF LIVING HAVE PUT AN ENORMOUS STRAIN ON THE LIMITED WATER SUPPLY CAPACITY. THE ANTICIPATED SEAWATER DESALINATION PROGRAM FOR 1977-1982 TOPS \$15 BILLION. DEEP WELL DRILLING AND DEMINERALIZATIONS PROGRAMS ARE CONTINUALLY BEING EXPANDED. THE MARKET IS EXCEPTIONALLY ATTRACTIVE FOR WATER WELL DRILLING EQUIPMENT, DEMINERALIZATION AND DESALINATION EQUIPMENT, URBAN WATER DISTRIBUTION SYSTEMS, WATER PIPES AND PUMPS, WATER PURIFICATION EQUIPMENT AND FILTERS FOR DOMESTIC USE, AND SEWAGE DISPOSAL SYSTEMS.

2. OTHER SIGNIFICANT THEMES WHICH COULD BE SUCCESSFULLY PROMOTED HERE INCLUDE: BUSINESS EQUIPMENT AND SYSTEMS; EDP COMPUTERS AND PERIPHERAL EQUIPMENT AND SERVICES; LEISURE EQUIPMENT FOR HOMES AND PLANNED NEW PUBLIC SPORTS ARENAS (WHICH WILL INCLUDE SWIMMING POOLS, BOWLING ALLEYS, WATER SPORTS, GOLF, TENNIS, SQUASH, FENCING, SOCCER, ETC.). LATTER CATEGORY ALSO WOULD ENCOMPASS RECREATIONAL EQUIPMENT FOR MUNICIPAL PARKS, CAMPING SITES AND PROPOSED NATIONAL PARK.

3. THE LARGEST SOURCE OF MONETARY RETURNS FOR THE U.S. FROM SAUDI ARABIA WILL BE THE OBTAINING OF WORK CONTRACTS BY AMERICAN FIRMS ON MULTIBILLION DOLLAR PROJECTS STILL IN THE OFFING. ALL USG AGENCIES SHOULD GIVE TOP PRIORITY TO ASSISTING AMERICAN CONTRACTORS IN OBTAINING PROJECTS HERE. U.S. FIRMS SHOULD BE ENCOURAGED TO PARTICIPATE IN ALL CONSTRUCTION TENDERS WHICH IN FY 1979 COULD EXCEED \$20 BILLION. THE MULTIPLIER FACTOR IN U.S. MAJOR CONTRACT AWARDS WILL SERVE AS WELL AS ANY OTHER CCP EFFORT TO INCREASE U.S. MATERIAL EXPORTS.
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